

The RBA surprised the market by commencing its QE tapering program

Economic data

In Australia, the RBA held the cash rate and 3-year yield target at 0.10%. The Melbourne Institute inflation gauge was flat for August and is at 2.5% y/y. ANZ job ads fell by -2.5% in August after a -0.5% fall in July.

In the US, PPI increased by 0.7% over the month, 0.1% higher than expected. PPI y/y is now at 8.3%. Wholesale inventories for July rose by 0.6%, this was in line with expectations. Initial jobless claims for the week were 310,000, this was 25,000 less than expected. Continuing claims were at 2.78 million, 43,000 more than expected.

Rates

Australian 2-year bond yields remained at 0.01% over the week, while 10-year yields also remained steady at 1.22%.

The RBA left the official cash rate unchanged as expected but chose to commence their planned step-down in QE bond purchases from \$5bn to \$4bn as telegraphed to the market back in August. We now commence QE3 which is expected to run until at least mid-2022 with the next review not until February 2022. The RBA maintained their glass-half full economic outlook and forecast economic activity to increase sharply in Q421 as Covid restrictions within the key states of NSW and VIC are lifted. The market's limited reaction to the QE taper suggested that RBA tightening is still a way off, and that QE will be used as the policy tool of choice in the meantime.

In the US, 2-year Treasury yields were 0.01% higher at 0.22% while 10-year yields rose 0.02% to 1.34%.

Despite a risk-off tone to offshore markets U.S. rates failed to rally. Geopolitical tensions continued to dominate headlines with the ongoing lack of cooperation between the U.S. and China on trade apparent. The Biden administration is considering a new investigation into Chinese subsidies and their damage to the US economy to pressure Beijing on trade negotiations. The Fed's Mester, who becomes a voting member next year, said that she would still like to begin tapering asset purchases sometime this year despite weak August jobs report. Mester remarked that "A statement that offered more of an explanation of the FOMC's views on the factors affecting current inflation readings, the outlook for inflation, and the risks around that outlook would give the public a better sense of the FOMC's assessment than merely saying that elevated readings largely reflect transitory factors".

Credit

Credit spreads were tighter over the week as the Australian iTraxx index narrowed 1bp to 57bps. APRA announced plans to end to the Committed Liquidity Facility (CLF) by the end of 2022. The timeline wasn't fully expected by markets and was viewed as slightly negative for ADI corporate bonds and RMBS. It had an immediate impact on Senior unsecured major bank paper, which moved 3-5bps across the curve.

Other markets

Commodities were down 0.7% over the week with the CRB index closing the week at 554.0. The oil price rose 0.6% to USD 69.7. Gold was down 2.2% at USD 1,788 per ounce. The iron ore price decreased 9.4%, finishing at USD 129.50 per tonne.

In FX, the USD was stronger against major currencies. The EUR/USD w/w was down 0.6% at 1.181 while GBP/USD finished the week 0.2% lower at 1.384. USD/JPY was up 0.2% at 109.9 and the AUD fell 1.4% against the USD closing the week at 0.736.

Equity markets had a rough week as the S&P 500 finished the week 1.7% lower at 4,459. The FTSE fell 1.5% to 7,029 while the S&P/ASX 200 finished 1.5% lower at 7,407.

The week ahead

In Australia, RBA Governor Lowe speaks on Tuesday to the ANIKA foundation in a speech titled Delta, the Economy and Monetary Policy. Economic data includes employment, business and consumer confidence.

In the US, the main release will be the CPI. Other data includes industrial production, retail sales and the University of Michigan consumer sentiment survey.

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The Market Data Dashboard is for wholesale clients only and not for distribution to retail clients. The next page provides an overview of changes in key market rates and prices over the week and the month. Focus is given to fixed income markets, but there is also some currency, commodity and equity market data. The dashboard provides start and end values for each period as well as "sparkline" charts which provide an indication of the path of changes over the period.

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BlackRock Australia Fixed Income

Market Data Dashboard

		Week							Month								
		3-Sep	10-Sep	Move	%	Min	Max	Range	11-Aug	10-Sep	Move	%	Min	Max	Range		
Rates	Australia	RBA Cash	0.10	0.10	0.00		0.10	0.10	0.00	0.10	0.10	0.00		0.10	0.10	0.00	
		12m Implied Cash	0.20	0.18	-0.02		0.18	0.21	0.03	0.20	0.18	-0.03		0.15	0.21	0.06	
		30 day BBSW	0.00	0.01	0.01		0.00	0.01	0.01	0.01	0.01	0.00		0.00	0.01	0.01	
		90 day BBSW	0.01	0.01	-0.00		0.01	0.01	0.00	0.02	0.01	-0.01		0.01	0.02	0.01	
		2Y Govt Bond	0.01	0.01	0.00		0.01	0.01	0.01	0.05	0.01	-0.04		0.01	0.05	0.04	
		10Y Govt Bond	1.22	1.22	-0.00		1.22	1.30	0.08	1.22	1.22	-0.00		1.08	1.30	0.22	
		3-10 Fut. Curve	91.5	92.9	1.4		91.5	97.5	6.0	88.0	92.9	4.9		84.5	97.5	13.0	
		Nov-2027 Real Yield	-1.15	-1.17	-0.02		-1.17	-1.14	0.03	-1.17	-1.17	-0.00		-1.19	-1.10	0.09	
		US	Fed Funds Target	0.25	0.25	0.00		0.25	0.25	0.00	0.25	0.25	0.00		0.25	0.25	0.00
			2Y Treasury	0.21	0.21	0.01		0.21	0.22	0.01	0.22	0.21	-0.01		0.20	0.24	0.04
		10Y Treasury	1.32	1.34	0.02		1.30	1.37	0.08	1.33	1.34	0.01		1.24	1.37	0.13	
		2-10 Curve	112	113	1		108	115	7	111	113	2		102	115	13	
		10Y Real Yield	-1.02	-1.05	-0.03		-1.09	-1.00	0.10	-1.08	-1.05	0.02		-1.11	-1.00	0.11	
	Aus/US	2Y Spread	-20	-20	-0		-20	-20	0	-17	-20	-4		-19	-19	0	
		10Y Spread	-10	-12	-2		-8	-3	5	-11	-12	-1		-16	-8	9	
	UK	BoE Bank Rate	0.10	0.10	0.00		0.10	0.10	0.00	0.10	0.10	0.00		0.10	0.10	0.00	
	Euro	ECB Refi Rate	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	
Credit	Australia	Aus iTraxx	58	57	-0		57	58	1	62	57	-5		57	62	5	
		AA 5Y vs Bond	57	58	0		57	58	-1	46	58	11		40	46	-6	
		BBB 5Y vs Bond	110	108	-2		108	111	-3	108	108	0		108	112	-4	
	US	CDX Inv. Grade	47	47	1		47	47	1	50	47	-3		46	50	4	
		CDX High Yield	274	278	3		274	278	4	290	278	-12		274	298	24	
Euro	Euro iTraxx	45	45	-0		45	45	0	47	45	-2		45	47	3		
Currencies		AUD/USD	0.746	0.736	-0.010	-1.4%	0.736	0.746	0.010	0.737	0.736	-0.002	-0.2%	0.713	0.746	0.033	
		EUR/USD	1.188	1.181	-0.007	-0.6%	1.181	1.188	0.007	1.174	1.181	0.008	0.6%	1.168	1.188	0.021	
		GBP/USD	1.387	1.384	-0.003	-0.2%	1.377	1.387	0.010	1.387	1.384	-0.003	-0.2%	1.362	1.387	0.025	
		USD/JPY	109.7	109.9	0.2	0.2%	109.7	110.3	0.6	110.4	109.9	-0.5	-0.4%	109.2	110.4	1.2	
		AUD/JPY	81.7	80.8	-0.9	-1.1%	80.8	81.7	0.9	81.4	80.8	-0.6	-0.7%	78.4	81.7	3.4	
Comds	Oil	WTI Crude	69.3	69.7	0.4	0.6%	68.1	69.7	1.6	69.3	69.7	0.5	0.7%	62.3	70.0	7.7	
	Gold	US\$	1,828	1,788	-40	-2.2%	1,788	1,828	40	1,752	1,788	36	2.0%	1,752	1,828	76	
	Iron Ore	US\$	143.00	129.50	-14	-9.4%	129.50	143.00	13.5	163.0	129.5	-33.5	-20.6%	129.5	166.5	37.0	
	All	CRB Index	558.0	554.0	-4	-0.7%	554.0	558.0	4.0	559.8	554.0	-5.8	-1.0%	554.0	566.0	12.0	
Equities	Australia	ASX200 Price Index	7,523	7,407	-116	-1.5%	7,370	7,530	161	7,584	7,407	-178	-2.3%	7,370	7,629	259	
	US	S&P500 Price Index	4,535	4,459	-77	-1.7%	4,459	4,535	77	4,448	4,459	11	0.2%	4,400	4,537	137	
	Japan	Nikkei 225 Price Index	29,128	30,382	1,254	4.3%	29,128	30,382	1,254	28,071	30,382	2,311	8.2%	27,013	30,382	3,369	
	UK	FTSE 100 Price Index	7,138	7,029	-109	-1.5%	7,024	7,187	163	7,220	7,029	-191	-2.6%	7,024	7,220	196	